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Annual Report

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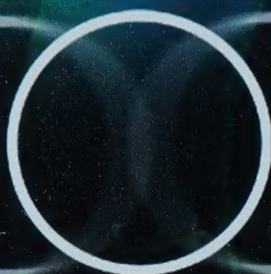
WESCAM
ROCK SOLID | WORLDWIDE

Our Mission: Wescam will increase stakeholder value by sustaining world leadership as a quality first organization that delivers visual information systems through innovation, focus, teamwork and customer service.

THE WORLD...

wireless
visual information systems

Optics



$G_{max} = 28 \text{ dB}$

$G_{max} = 28 \text{ dB}$

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CHANGING THE WAY YOU

Financial Highlights

in thousands (except per share amounts)

Financial Summary

	1999	1998	1997
Revenue	\$ 123,323	\$ 79,904	\$ 57,645
Net earnings (loss) applicable to common shares	\$ 6,352	\$ 2,825	\$ (9,664)
EBITDA	\$ 19,639	\$ 10,294	\$ (5,121)
Research and development expenditures (net)	\$ 9,814	\$ 6,384	\$ 5,981
Capital expenditures	\$ 4,777	\$ 4,466	\$ 5,789

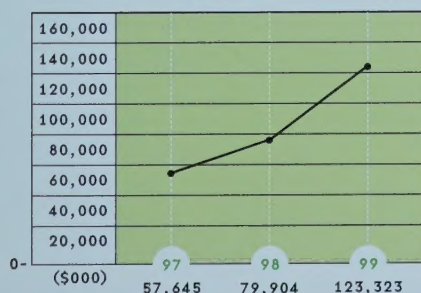
Financial Position

Total assets	\$ 109,065	\$ 91,126	\$ 67,298
Total liabilities	\$ 59,664	\$ 48,707	\$ 31,071
Shareholders' equity	\$ 49,401	\$ 42,419	\$ 36,227

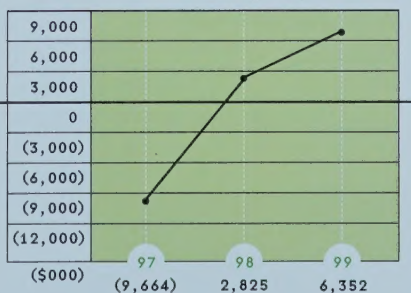
Financial Data

Gross profit percentage	35.3	38.7	37.2
Earnings (loss) per share before goodwill charges	\$ 0.56	\$ 0.28	\$ (0.65)
Net earnings (loss) per share	\$ 0.44	\$ 0.20	\$ (0.75)

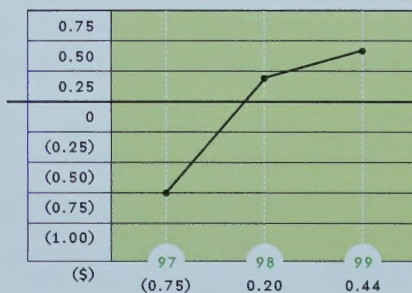
REVENUE



NET EARNINGS (LOSS)



NET EARNINGS (LOSS) PER SHARE



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Wescam At A Glance

MARKETPLACE		MARKET SEGMENTS SERVED	
Public Safety & Surveillance Division	Government/Military	Maritime Patrol	
		Search and Rescue, Surveillance and Observation	
		Unmanned Aerial Vehicle Surveillance	
	Commercial	Electronic News Gathering	
		Airborne Law Enforcement	
	ENTERTAINMENT DIVISION	Entertainment	Broadcast Sports
Global Events			
Film			

Wescam services its markets via two divisions:

- The Public Safety & Surveillance (PS&S) Division, which sells visual information systems to two marketplaces: Government / Military and Commercial
- The Entertainment Division, which rents turnkey visual information services to the Entertainment marketplace

Wescam is a world leader in the design and manufacture of visual information systems, providing images and real time information for a variety of government and commercial customers around the globe. Wescam captures images from moving platforms that range from aircraft, helicopters, airships and the Space Shuttle to NASCAR racing cars, tracks, boats and cranes, and transmits those images via wireless communication link to the end user.

MAJOR CONTRACTS/EVENTS - 1999

- P-3 Orion aircraft contract - phase III (\$18.3 million) of the Lockheed Martin Tactical Defense Systems contract for the United States Navy upgrade program.
- C-130 Hercules aircraft contract (\$20 million) - phase II of the United States Coast Guard fleet improvement program.
- NATO contract (\$30 million) - fully integrated information package including WESCAM™ camera systems, digital wireless communications systems and installation on a variety of aircraft.
- United States Army's Tactical Unmanned Aerial Vehicle (TUAV) development program - \$7.5 million contract to build two prototype systems.
- Pioneer UAV contract (\$3.5 million) - phase III of the UAV platform "Pioneer" contract for the United States Navy.
- Supplier of wireless transmission and/or camera systems to approximately 100 television stations in North America.
- Los Angeles County Sheriff's Department and Los Angeles County Fire Department contract (\$1.5 million) - WESCAM™ fully integrated Airborne Law Enforcement system with dual camera, command, control and communications link.
- European, Asian and Australasian sales of turnkey communications systems, including to New Zealand police force for security surveillance during the APEC Conference in September.
- Over 270 sporting events, including
 - 24 CBS Golf tournaments
 - 145 car races (NASCAR / IRL / IROC / CART)
 - Numerous ABC, ESPN, NBC, CBS and Fox football and baseball events
- Contract awarded from the Sydney Olympic Broadcasting Organisation for the 2000 Olympic Games in Sydney, Australia - Wescam's seventh Olympic Games involvement.
- Other major global sporting events: Pan Am Games, ECO Challenge, World Rowing Championships, New York Marathon.
- Over 60 feature films including
 - The World Is Not Enough, Anna and the King, End of Days, Deep Blue Sea, and General's Daughter
- Over 80 commercials

FUTURE OPPORTUNITIES

- Options for orders of up to a further 100 systems for P-3 aircraft. Potential for P-3 aircraft upgrades worldwide.
- Ongoing maritime patrol opportunities in and outside of North America for both fixed wing and rotary wing applications.
- Market demand continues to grow worldwide for real time surveillance systems applied to border control, drug interdiction and search and rescue applications.
- Wescam's incumbency on three of the largest North American UAV programs (U.S. Army TUAV, U.S. Navy Pioneer and U.S. Air Force Predator® UAV) positions the Company well to bid on current and future North American and international programs.
- Heightened demand for unmanned airborne reconnaissance capabilities following such 1999 regional conflicts as those in the Balkans is expected to increase opportunities for Wescam.
- Continuous demand for "real time" information requiring complete information systems solutions.
- Increased international opportunities as more agencies demand cost-effective, fully integrated visual information systems with command and control capabilities.
- Growth through the development of advanced technologies to provide new points of view for the coverage of indoor sporting events.
- Capitalize on the market growth resulting from the increase of specialty channels and the constant competition for viewership.
- Wescam's reputation for stellar coverage of major sporting events worldwide is expected to result in increased opportunities as the Company advances its technologies to provide a greater breadth of visual information capabilities to this marketplace.
- Growth through the introduction of new technologies to provide more innovative points of view.



It was an excellent year for Wescam as we ended fiscal 1999 with record revenue, earnings and backlog:

- 54% increase in revenue to \$123.3 million versus \$79.9 million in fiscal 1998, representing a five-year compound growth rate of 50%;
- 129% increase in net earnings to \$6.4 million compared to \$2.8 million the previous year, with earnings per common share amounting to \$0.44 compared to \$0.20 in 1998; and
- 15% increase in backlog to \$129 million from \$112 million in fiscal 1998.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) for fiscal 1999, excluding the gain on the sale of non-core business assets, increased 54% to \$15.9 million from \$10.3 million in fiscal 1998.

In July we announced the sale of non-core business assets related to the actuator and motion control product line of one of Wescam's California subsidiaries. The net gain on the sale of the assets, after transaction costs, income taxes and a payment obligation to the former shareholders of the subsidiary, totaled \$1.8 million. Our decision to sell the assets of the actuator product line was consistent with our strategy of focusing on our core business as well as strengthening the balance sheet.

To Our Shareholders

The theme of last year's report was "aiming for new heights". In the last report, I outlined three goals that we needed to achieve in order to reach a new level in Wescam's journey.

How did we succeed?

1. We will deliver our backlog while continuing to manage operating expenses.

- We delivered all of the backlog that was scheduled to be delivered in fiscal 1999 and reduced operating expenses as a percentage of revenue to 28% from 33% in fiscal 1998.

2. We will introduce our existing technologies onto new platforms.

- We increased our market penetration with the introduction of fully integrated visual information systems to a number of government agencies in the United States, Europe and Asia. The result – in September, we received a \$30 million integrated systems contract from a NATO member country to supply and install WESCAM™ camera and digital wireless communications systems on a variety of aircraft.

3. We will continue to identify further opportunities that use elements of our latest technologies and develop these technologies as required to take advantage of new applications.

- We have leveraged our latest product enhancements to introduce new customer applications to the market. For the government / military marketplace, we have incorporated camera and stabilization technology from our WESCAM™ 20 into new systems for smaller helicopter and fixed wing aircraft applications, and into even smaller high performance systems for small, unmanned vehicles. For the commercial marketplace, this stabilization technology has been implemented to develop a new ground-based system for use in broadcast sports coverage and the feature film industry.

Wescam's vision is "changing the way you see the world" -- a bold statement that depicts the advantages that WESCAM™ technology is delivering for our customers. Wescam is changing the way you see sporting events, films, broadcast news and the way the police and government agencies are able to monitor activities in policing, maritime patrol, search and rescue and surveillance and observation.

Our revolutionary stabilization, camera and wireless communication technologies enable Wescam to provide customers with total visual information systems. These systems capture stable, high-resolution images from moving vehicles, such as aircraft, helicopters, racing cars, the Space Shuttle, tracks, cranes and boats, and transmit the images to remote locations in the air or on the ground to help our customers perform their mission activities with full command, control and communications capabilities.

The theme of this report is "see clearer, see further", a statement of our intent to move your company into the future with a vision of technologies and business initiatives that will advance Wescam's progress across all the markets the Company serves. Wescam is better positioned in the government and commercial marketplaces with proven technology and established incumbency. This market positioning has resulted in increased business through multi-unit, multi-year contracts for government / military aircraft upgrade programs and sporting event broadcast. As mentioned above, we have broadened our product offering to establish new airborne and ground-based

"SEE CLEARER, SEE FURTHER"

a statement of our intent to move

your company into the future.

business opportunities. In addition, we have recently introduced the Company's first light fixed wing aircraft and visual information system combination called the WESCAM™ Stealth, which will be used in our commercial and broadcast sports markets.

Wescam is in a strong position to grow from its existing customer base. Approximately 75% of the \$129 million backlog, which represents primarily the government / military portion of our business, is scheduled to be delivered in fiscal 2000. Wescam is a leader in providing visual information systems in a world which is constantly demanding greater access to information. In the worldwide government / military marketplace alone we have identified future business opportunities approximating \$1 billion. To address the increased international opportunity, we are working with new partners and alliances. In the commercial marketplace we see new opportunities arising from the heightened use of the Internet for image distribution, particularly in live event sports broadcasting. This demand translates into a greater requirement for innovative image capture and transmission for purposes of this distribution. With the introduction of our new products and services, the expanding

business opportunities available to Wescam should bring greater profitability, as we steer your company towards providing customers with broader visual information system capabilities.

On behalf of the Board of Directors and our management team, I would like to thank our employees for an excellent 1999 and for their continued dedication and loyalty as we "see further" into 2000. I would like to thank our customers for their ongoing confidence in our products and services. Lastly, I would like to thank you, our shareholders, for your continued support and investment.

A handwritten signature in white ink, appearing to read "Mark Chubb", is positioned above the date. The signature is fluid and cursive.

February 18, 2000



SEE

CLEARER
FURTHER



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SEE
FURTHER

The Opportunity

THE OPPORTUNITIES FOR GROWTH AND HOW WESCAM IS POSITIONED

The world continues to grow smaller as more information flows faster and faster through wireless technology, fiber optics and the Internet. Finding the most effective ways to gather, package and communicate the information is becoming increasingly important.

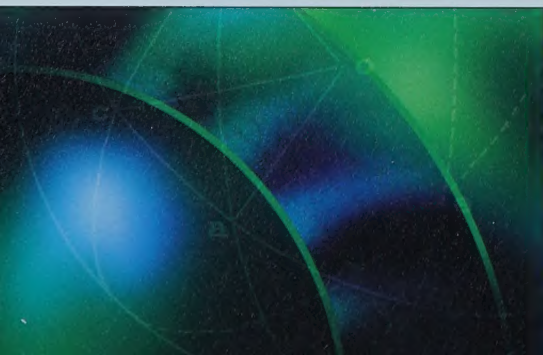
What role does Wescam play?

Wescam provides its customers with the initial and vital links of the first mile of the communications chain, capturing and transmitting information through integrated technologies for interpretation and further utilization or distribution by the customer. Wescam's stabilized cameras and wireless transmission systems gather and transmit high quality video images from moving vehicles to remote locations in the air or on the ground. These "vehicles" include aircraft, helicopters, racing cars, the Space Shuttle, tracks, cranes and boats.

Wescam services its markets via two divisions:

1. The Public Safety & Surveillance (PS&S) Division sells fully integrated visual information systems primarily to government / military and commercial markets. The government / military includes the key market segments of maritime patrol, search and rescue/surveillance and observation and unmanned aerial vehicle surveillance. In the commercial marketplace, Wescam focuses on the electronic news gathering and airborne law enforcement market segments.
2. The Entertainment Division rents turnkey visual information services to the broadcast sports, global events and feature film markets.

Wescam provides its customers with the initial and vital links of the first mile of the communications chain.





PUBLIC SAFETY & SURVEILLANCE

The opportunities for growth in the government / military industry are significant because of the increasing number of aircraft improvement programs in both North America and abroad. Since the end of the Cold War, there has been greater demand globally for surveillance and observation capabilities. In addition, as regional conflicts continue to occur throughout the world, there is a growing need to relay images and precise coordinates as accurately and quickly as possible in a secure and cost-effective manner.

In 1997, Wescam introduced a revolutionary product, the WESCAM™ 20, a superior long range, electro-optical and infrared high performance camera system, encompassing leading technological capabilities to allow users to see more clearly and further than currently available products. This introduction broadened Wescam's move into the government program arena. The Company has since won contracts for programs such as the United States Navy's P-3C Orion upgrade program, where Wescam is supplying systems to the prime contractor, Lockheed Martin Tactical

Defense Systems. To date, Wescam has received \$55 million in orders from this program, the latest being an \$18.3 million order announced in July 1999.

In November 1999, Wescam was awarded the second phase of the U.S. Coast Guard's HC-130H Hercules upgrade program contract, where Wescam is the prime contractor. This \$20 million order, bringing the total contract value to \$43 million, is to provide seven additional turnkey surveillance and communication systems, comprising variants of the WESCAM™ 20, airborne workstations and military satellite communications systems.

Wescam's performance within the large government program market has opened up new opportunities outside North America. In September 1999, Wescam announced one of its largest contracts to date for fully integrated image capture and communications systems. The \$30 million contract is to supply a NATO member country with WESCAM™ camera and digital wireless communications systems for a variety of aircraft.

Wescam continues to be the leading supplier of camera systems to the North American Unmanned Aerial Vehicle (UAV) marketplace, participating in three of the continent's largest UAV programs — the Pioneer UAV, Inc. "Pioneer" program for the U.S. Navy, the General Atomics Aeronautical Systems, Inc. Predator® program for the U.S. Air Force, and the Tactical Unmanned Aerial Vehicle (TUAV) development program for the U.S. Army.

In November 1999, Pioneer UAV exercised its second and final set of options, valued at \$3.5 million, to purchase additional WESCAM™ 12 camera systems; and in January 2000, General Atomics Aeronautical Systems, Inc. ordered another 21 WESCAM™ 14 camera systems for the Predator program. The TUAV development program, awarded to Wescam in February 1999, involves the development of a stabilized camera system for the U.S. Army's newest UAV that will provide digital imagery to the battlefield commander. The initial contract was for the delivery of two prototype systems for deployment in up to 250 aircraft over the next 10 years.

The key to continued success in the government / military marketplace is the ability to adapt technologies to the demands of customers, taking into consideration equipment size, weight and cost requirements. To address these demands we continue to develop spin-off products which incorporate core technology from the WESCAM™ 20 as well as from our other camera and wireless products. These new products provide customers with more performance in smaller packages and commonality in design which results in lower acquisition and life cycle costs for the customers. Wescam's bidding opportunities are consequently enhanced as the Company applies its technologies to government programs for other types of airframes in North America and abroad.

In the commercial marketplace, Wescam's competitive strengths lie in its ability to provide fully integrated visual information systems to the electronic news gathering (ENG) market and the airborne law enforcement (ALE) market. Wescam continues to be the leading supplier of command and control systems to the North American ENG market. The Company was a supplier to approximately 100 television stations across the U.S. in 1999, dominating the market with the Skypod™ airborne antenna systems and the ground-based TouchStar™ studio and remote control systems.

In the ALE segment, customers are increasingly seeking high quality and cost-effective information systems to improve decision-making capabilities. In July 1999, Wescam received an order from the Los Angeles County Sheriff's Department, with participation from the Los Angeles County Fire Department, for the most sophisticated WESCAM™ fully integrated ALE system to date, worth approximately \$1.5 million. The system included a WESCAM™ 12 with daylight video and infrared cameras (bringing L.A. County's total to three WESCAM™ 12s and one WESCAM™ 16) plus an extensive selection of command, control and communications systems, allowing images to be transmitted in real time for critical situation evaluation, coordination and management.

ALE sales to international customers increased in fiscal 1999 with greater activity in Europe and in Asia, where Wescam is providing turnkey system solutions to Japanese police agencies. Previously the Company provided only the camera system component, but now we are integrating the WESCAM™ camera system with our latest wireless communications and control systems, such as the Skypod™ and the TouchStar™.

ENTERTAINMENT

Wescam continues to be a leading supplier of wireless camera and wireless communications systems to the broadcast industry in North America through its Broadcast Sports group, particularly in the car racing industry. In fiscal 1999, the group covered 145 car races for major television networks, including the Daytona 500 and Indy 500. In March 1999, Wescam announced that its Broadcast Sports group had been awarded a four year, multi-million dollar contract from ESPN Productions, Inc. Broadcast Sports is to be ESPN's exclusive supplier of equipment, technicians and operators for all NASCAR, IRL (Indy Racing League), CART (Championship Auto Racing Teams) and IROC (International Race of Champions) auto racing events as well as NASCAR truck racing. Also in 1999, Wescam once again provided coverage for all of CBS's 24 golf tournaments, including the PGA Championship in Medinah, Illinois and the Masters in Augusta, Georgia.

Wescam has provided some of the most creative angles ever viewed in both sports and film.





Wescam participated in numerous global events during fiscal 1999, including the Pan Am Games in Winnipeg, the Eco Challenge in Patagonia, Argentina, the World Rowing Championships in St. Catharines, Ontario, and the New York City Marathon. Concurrent with the time of the publication of the Annual Report, Wescam was also providing full coverage of the America's Cup in Auckland, New Zealand, with aerial cameras, cameras on pursuit boats and with remotely controlled, on-board cameras.

In October 1999, the Company announced that it had been awarded a contract from the host broadcaster, Sydney Olympic Broadcasting Organisation to provide broadcast equipment at the 2000 Olympic Games in Sydney, Australia. This represents Wescam's seventh appearance at an Olympic Games, the last being the XVIII Winter Olympics at Nagano, Japan in February 1998. Wescam's Entertainment Group will provide a number of WESCAM™ camera systems, operated by the Company's award-winning technicians and operators, to a wide variety of events. The stabilized camera systems will be mounted on helicopters, boats and road vehicles. Wescam's Broadcast Sports group

will provide on-board cameras for sailing events as well as wireless communications for the transmission of voice, video and data.

Technological advances made by the Broadcast Sports group in the wireless communications arena have enabled Wescam to participate in the National Aeronautical and Space Administration (NASA) Space Shuttle and International Space Station programs. Wescam's Broadcast Sports group originally developed advanced modifications to its in-car camera technology for space application when it received a contract for NASA's Space Shuttle program in May 1997.

Wescam, as a subcontractor to Lockheed Martin Space Mission Systems & Services, is providing a fully integrated system solution to NASA, comprised of wireless video systems, antennae, transmission systems and receivers. Multiple cameras will be placed on helmets worn by the astronauts during their extra-vehicular construction and maintenance assignments. Wescam is also providing a series of antennae that will surround the cargo bay area of the Space Shuttle and the International Space Station to optimize

reception by providing the best line of sight during the astronauts' maneuvers. This full turnkey system will allow the crew of the Shuttle and ground personnel in Houston to observe the astronauts' activities as they build the International Space Station.

Wescam equipment continued to be in high demand in the film industry with the Company providing innovative aerial and special effects footage for 60 feature films in 1999, including "The World Is Not Enough", "Anna and the King", "General's Daughter", "Entrapment" and "End of Days". We were also involved in the production of 80 commercials for advertisers ranging from automotive manufacturers to the New Zealand Tourist Board.

The opportunities for growth in the broadcast sports, global events and film market segments lie in the increasing demand for more innovative points of view to capture a greater audience. Wescam has provided some of the most creative angles ever viewed in both sports and film and we continue to strive to bring even more inventive ways to capture the perfect image, either from the air or from the ground.

CLEARER

FURTHER

Our Plan

WESCAM'S PLAN FOR 2000 AND BEYOND

Wescam is a Visual Information Systems company. Our systems consist of stabilized cameras, wireless communications components and hardware and software control systems, integrated into the complete system. Our expertise lies in our ability to design and provide system solutions to serve the exacting demands of a variety of market segments including government / military, law enforcement, news, broadcast sports and feature films. These systems range from small compact cameras and wireless communications, used for in-car cameras in car racing or on the helmets of the Astronauts building the International Space Station, to extremely long range camera systems used by major U.S. and international government agencies around the world for surveillance applications.

The markets we serve continue to grow as a result of our customers' increasing need for visual information. Agencies in the government / military market continue to upgrade their airborne surveillance fleets as well as introduce new surveillance platforms, including unmanned aerial vehicles. Wescam's investment in new products for this market is significant and includes spin-offs from our WESCAM™ 20 technology. These range from our mid-sized camera for helicopters and smaller fixed wing aircraft, to an even smaller, high performance camera system for small, unmanned vehicles. Focused primarily on the U.S. market for the past three years, Wescam is now selectively re-entering the international market through the establishment of value added alliances and new channels of distribution.

Focused primarily on the U.S. market for the past three years, Wescam is now selectively re-entering the international market



The news gathering and law enforcement customer requires interconnectivity between airborne cameras, ground-based cameras and the command and control centres or studios. Wescam provides this interconnectivity by means of wireless video transmission systems. Wescam is responding to the demands for more intercommunication in an ever-limited bandwidth environment by developing digital wireless systems. To provide more customers with cost-effective and affordable visual information, Wescam has recently introduced its first light fixed wing aircraft camera platform called the WESCAM™ Stealth to be used in our commercial and broadcast sports markets.

Our entertainment services business is now beginning to see the spin-off value of the products originally developed for the government / military business. We have leveraged the WESCAM™ 20 stabilization in a new ground-based stable pan/tilt head, called the WESCAM™ Head, for the broadcast sports and film markets. The WESCAM™ Head will provide a platform for a large variety of broadcast and film cameras and will offer customers a new way to capture images and reduce the use of dolly tracks. It will also provide a

higher level of stabilization than is currently available in these markets, adding more creativity for mobile ground-based photography and allowing for shooting under extreme conditions with fewer limitations. The WESCAM™ Head will be Computer Graphic Interface (CGI) compatible, allowing for greater integration with computer generated animation and special effects. This new system, scheduled to be launched in the summer of fiscal 2000, also has potential for application to the government / military marketplace.

The demand for enhanced visual information is evident with all our customers, whether it is for decision making or for entertainment purposes. No market highlights this demand more prominently than broadcast sports with the coming changes in how sporting events are viewed. The Internet, as a visual distribution network, will allow the viewer not only to view the event, but also to observe it from his/her choice of camera position. The number of cameras covering certain events such as car racing will grow, opening up greater opportunities for Wescam, a leader in the provision of cameras, wireless communication links, control systems and related services.

SEE

CHANGING THE WAY YOU

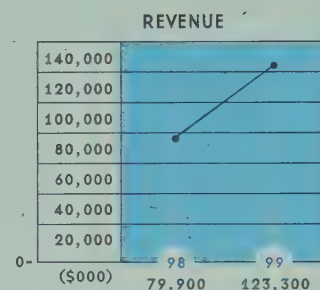
THE WORLD



FINANCIAL CONDITION AND RESULTS OF OPERATIONS

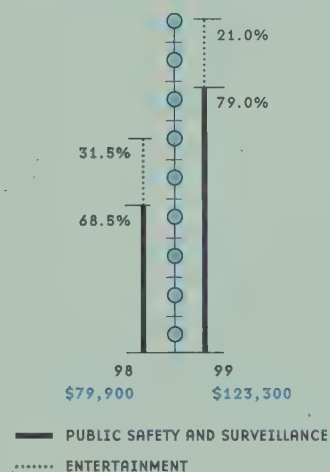
HIGHLIGHTS

Fiscal 1999 was another year of revenue and earnings growth for Wescam. The Company continued its strategic transition from a supplier of stabilized cameras to a provider of visual information systems. In the government/military market, Wescam continued to combine its newly advanced stabilization technology and wireless image communication technology to provide customers with visual information systems. Visual information systems allow customers to execute their missions with full command and control capabilities. As well, the Company undertook engineering programs to migrate these technologies across its product lines for the government/military market and its commercial markets. The WESCAM™ 20, the first product line with the new stabilization technology, achieved full production rate status in the final quarter of the fiscal year. During fiscal 1999 the Company continued to enter into multi-unit, multi-year contracts to finish the year with a backlog of \$129.0 million compared to \$112.0 million in the prior year.



In fiscal 1999, the Company recorded revenues of \$123.3 million, which represented an increase of \$43.4 million or 54.3% over fiscal 1998. Operating income increased by \$5.2 million to \$11.5 million compared to operating income of \$6.3 million in fiscal 1998. Earnings before interest, taxes, depreciation and amortization ("EBITDA") increased by \$9.3 million to \$19.6 million in fiscal 1999 from \$10.3 million in fiscal 1998. Earnings before income taxes and goodwill charges increased by \$9.0 million to \$13.7 million, while earnings before goodwill charges increased by \$4.3 million to \$8.4 million in fiscal 1999. Net earnings applicable to common shares increased by \$3.5 million to \$6.4 million for fiscal 1999. Included in the net earnings is an after-tax gain of \$1.8 million related to the sale of certain non-core assets of a U.S. subsidiary. Also included in net earnings is a write-down of the assets of a U.K. subsidiary in the amount of \$0.7 million. Basic earnings before goodwill charges per common share of \$0.56 represented an increase of \$0.28 per common share from \$0.28 per common share in fiscal 1998. Basic earnings per common share of \$0.44 represented an increase of \$0.24 per common share from \$0.20 per common share in fiscal 1998. The average number of common shares outstanding increased 0.7% to 14.6 million from 14.5 million. Fully diluted earnings before goodwill charges per share for fiscal 1999 amounted to \$0.51 while fully diluted earnings per share were \$0.41. Fully diluted earnings per share for fiscal 1998 were not reported, as the impact was anti-dilutive.

REVENUE DISTRIBUTION %



REVENUES

The Company's revenues (\$000's) are comprised as follows:

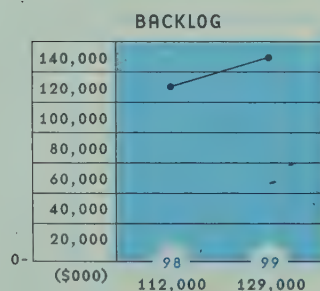
	1999	1998	Increase
Public Safety and Surveillance	\$ 98,323	\$ 55,492	77.2%
Entertainment	\$ 25,879	\$ 25,174	2.8%
Inter-Divisional	(879)	(762)	
Total	\$ 123,323	\$ 79,904	54.3%

Revenue Distribution:

Public Safety and Surveillance	79.7%	68.5%
Entertainment	20.3%	31.5%

The Company's revenues increased by \$43.4 million or 54.3%. The Public Safety and Surveillance Division achieved revenue growth of 77.2%, largely due to the continuing ability to enter into longer term multi-unit contracts while increasing delivery capacity, in particular for the new WESCAM™ 20 which achieved full production rate status in the final quarter of fiscal 1999. The Entertainment Division achieved limited revenue growth of 2.8% in fiscal 1999 as the Company's new technologies and product lines for the commercial markets were being developed during the year to be introduced in fiscal 2000. Company growth was generated internally as the Company made no acquisitions in the last three years.

The sales order backlog as at October 31, 1999 was approximately \$129.0 million compared to \$112.0 million at the end of fiscal 1998. Approximately 75% of the backlog is scheduled for delivery in fiscal 2000. The backlog is not necessarily reflective of quarterly or annual sales expectations; in particular the first quarter traditionally generates revenues significantly lower than in the remaining quarters for both business Divisions.



Wescam's backlog is comprised principally of orders in the Public Safety and Surveillance Division, primarily for the government/military market segment where customer commitment

is in the form of multi-unit, multi-year program contracts. These contracts include options to purchase additional units over the next one to three years. Wescam has experienced growth in the government/military market, particularly in the United States, by winning significant programs in the past two years. Interest in Wescam products has extended beyond North America and in 1999, the Company secured a \$30 million contract with a non North American NATO member country for a number of visual information systems, to be delivered over two years. The new technology of the WESCAM™ 20 has allowed Wescam to qualify the Company's systems for use on a greater variety of moving platforms such as faster flying fixed wing aircraft used in various surveillance roles around the world.

GROSS PROFIT

Fiscal 1999 gross profit was \$43.5 million or 35.3% of revenue, compared to \$31.0 million or 38.7% in 1998. The gross profit margin ratio decreased by 3.4 percentage points. The decrease was due, in part, to product mix including lower margin sales in fiscal 1999 of fully depreciated systems which are routinely sold when newer models are added to the rental pool operated by the Entertainment Division. In addition, the WESCAM™ 20 was transitioned to full production in the final quarter. The costs related to production startup, including production inefficiencies, caused lower gross margins in the first three quarters. The gross profit margin ratio for the fourth quarter of 1999 was 37.4% compared to 36.1% for the same quarter in 1998. The gross profit ratio increased in the fourth quarter due to production process and efficiency improvements, primarily for the WESCAM™ 20.

RESEARCH AND DEVELOPMENT

Wescam's research and development activities are focused on the advancement of Wescam's visual information system technology including: image stabilization technology, optics and camera technology; wireless data transmission systems; and hardware and software enhancements to the control systems. Certain of these activities are funded under development contracts with customers and contribute to total revenues of the Company.

Gross research and development costs, before deducting customer funding and government assistance, increased to \$11.4 million or 9.3% of revenue, compared to \$9.6 million or 12.0% in fiscal 1998. Customer funding for research and development was \$1.0 million in fiscal 1999 compared to \$1.5 million in fiscal 1998. Government assistance, primarily in the form of investment tax credits, amounted to \$931,000 in fiscal 1999 compared to \$232,000 in fiscal 1998. Net research and development costs in fiscal 1999 amounted to \$9.8 million or 8% of revenue compared to \$6.4 million or 8.0% of revenue in fiscal 1998.

Midway through fiscal 1999, Wescam completed the product development of the WESCAM™ 20, which combines highly advanced stabilization and imaging technologies. In fiscal 1999, the Company invested \$528,000, compared to \$1.8 million in 1998, in product development costs. As in prior periods, the Company reflected these product development costs on its balance sheet as a non-current asset to be amortized on the basis of estimated future unit sales for a period not to exceed five years. In conjunction with shipments of the WESCAM™ 20 and the WESCAM™ 12, the Company has included

\$909,000 of amortization of deferred product development costs in research and development expense in fiscal 1999 compared to \$361,000 in fiscal 1998.

Based on its successes in securing large multi-year, multi-unit contracts for its newly developed products, Wescam believes that innovation is essential in meeting its "time to market" objective for both its products and services. Future growth is dependent on ongoing research and development. The Company is fully committed to this investment as it relates to both enhancements and new developments of products and services in both the public safety and surveillance and the entertainment markets.

ADMINISTRATIVE

Administrative expenses for fiscal 1999 increased by \$3.0 million to \$10.9 million compared to \$7.9 million in 1998. Overall, administration costs as a percentage of revenue declined from 10.0% in 1998 to 8.8% in 1999. Wescam experienced a 54% growth in revenue in fiscal 1999. The growth resulted in total staffing increases from 340 people at the end of fiscal 1998 to 416 employees at the end of fiscal 1999: a growth of 22%. This growth in manpower across the Company has increased personnel and administration costs such as recruiting, travel and compliance costs. The non-people related costs of running the business such as insurance, legal and audit, tax planning and consulting and capital taxes also increased as a reflection of growth. A further factor contributing to the increase in fiscal 1999 was a foreign exchange loss of \$395,000 compared to a foreign exchange gain of \$711,000 in fiscal 1998.

SELLING

Selling expenses for fiscal 1999 increased by \$410,000 to \$6.8 million or 5.5% of revenue, compared to \$6.4 million or 8.0% of revenue in fiscal 1998. The reduction in the ratio of selling expense to revenue is attributable to the generation of follow-on orders from options under contracts secured in prior years. Lesser marketing and selling efforts are required to close orders under options than in bidding for new business. The increase in the expense of \$410,000 reflects continuing activity in new bids and proposals, primarily in the government/military market.

DEPRECIATION

Depreciation expense for 1999 increased by \$505,000 to \$4.5 million compared to \$4.0 million in fiscal 1998. This increase is directly attributable to depreciation expense related to the purchase of capital assets in 1999 and 1998. These assets included computer technology and information systems, engineering design systems, production equipment, and capital assets used as rental equipment in the Entertainment Division.

GAIN ON SALE OF ASSETS

In fiscal 1999, in order to focus on core business and to strengthen the balance sheet, Wescam sold non-core business assets and supporting technology related to the actuator and motion control systems product line for total proceeds of \$10.5 million. Wescam had acquired the assets with the purchase of Versatron Corporation (subsequently renamed Wescam Sonoma) in 1995. Additional unrecorded proceeds approximating \$1.5 million and \$735,000 are contingent upon the purchaser being awarded two specific future actuator

and motion control system contracts prior to July 1, 2000 and July 1, 2001, respectively. The Company realized a \$3.7 million pre-tax gain (\$1.8 million after tax) on the sale of non-cash working capital assets, fixed assets, goodwill and after transaction costs. As part of the terms of the 1995 acquisition of Versatron, Wescam was obligated to pay the former shareholders of Versatron 50% of the net after-tax proceeds. This obligation approximated \$2.8 million and was reflected in accounts payable at October 31, 1999. In fiscal 1999, Wescam recorded its share of the income tax expense approximating \$1.9 million and paid total taxes related to the sale of \$3.7 million, which included the tax owing on behalf of the former shareholders of Versatron. A tax liability of \$147,000 related to this sale is outstanding as at October 31, 1999.

Wescam's 1995 acquisition of Versatron (renamed Wescam Sonoma) was made to gain a strong foothold for electro-optic camera systems in the U.S. government/military marketplace, particularly in the unmanned aerial vehicle market. Wescam Sonoma's primary business is the design and manufacture of the WESCAM™ 12 and WESCAM™ 14 systems. Wescam retains all assets related to these core electro-optic systems.

INTEREST AND FINANCE CHARGES

Net interest expense and finance charges decreased by \$110,000 to net \$1.4 million in fiscal 1999 compared to \$1.5 million in fiscal 1998, primarily as a result of the lower utilization of the Company's operating loan and revolving term loan facilities.

EARNINGS BEFORE INCOME TAXES AND GOODWILL CHARGES

Wescam had earnings before income taxes and goodwill charges of \$13.7 million in fiscal 1999, compared to \$4.8 million in fiscal 1998. The increased earnings generally resulted from significantly higher revenues as well as from the gain of \$3.7 million related to the sale of certain non-core assets of a U.S. subsidiary in July of 1999, offset by the write-down of the fixed and working capital assets of a U.K. subsidiary in the amount of \$220,000. Earnings before income taxes and goodwill charges, excluding the \$3.7 million gain on the sale of the assets, grew by 110% to \$10.0 million in fiscal 1999 from \$4.8 million in fiscal 1998.

INCOME TAXES

The Company's effective tax rate for fiscal 1999 was 38.6%, compared to 13.0% in fiscal 1998. The increase from the lower rates in prior years is primarily due to increased profitability resulting in more tax provision required at statutory rates approximating 40% in Canada, after utilizing the manufacturing and processing deduction, and 36% in the United States. A portion of the tax rate increase was due to income taxes payable on the gain on the sale of the actuator business and the non-deductibility of the associated goodwill in connection with the sale. In fiscal 1999, all the remaining tax loss carry-forwards were utilized to reduce taxable income. Some of these loss carry-forward benefits had not been previously recognized for accounting purposes, resulting in a tax rate reduction in fiscal 1999, that was more than offset by the increase due to factors noted above.

EARNINGS BEFORE GOODWILL CHARGES

Earnings before goodwill charges for fiscal 1999 were \$8.4 million or \$0.56 per common share

compared to \$4.1 million or \$0.28 in fiscal 1998.

Fully diluted earnings before goodwill charges per common share were \$0.51 in fiscal 1999 and were not reported in fiscal 1998 as the impact was anti-dilutive.

GOODWILL CHARGES

Goodwill charges, net of related income taxes of \$189,000, amounted to \$1.7 million in fiscal 1999 compared to \$1.3 million in fiscal 1998. In fiscal 1999 these charges were comprised of goodwill amortization of \$1.5 million and a write-down of \$472,000 of goodwill of a U.K. subsidiary.

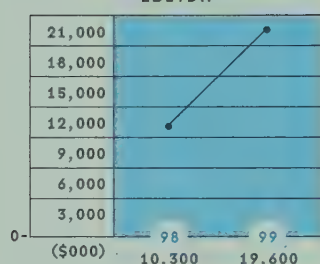
NET EARNINGS AND NET EARNINGS APPLICABLE TO COMMON SHARES

Net earnings for fiscal 1999 were \$6.7 million compared to \$2.9 million in fiscal 1998. Net earnings applicable to common shares for fiscal 1999 were \$6.4 million or \$0.44 per common share, compared to \$2.8 million or \$0.20 per common share in fiscal 1998, after accounting for an increase of 99,000 shares in the average number of common shares outstanding. Fully diluted earnings per share for fiscal 1999 amounted to \$0.41. Fully diluted earnings per share for fiscal 1998 were not reported, as the impact was anti-dilutive. Net earnings applicable to common shares represent net earnings after taking into account interest related to the equity portion of \$3.6 million of two convertible debentures issued in 1998 for a total of \$5.0 million. Interest related to the portion of the debenture accounted for as a financial obligation is included in interest expense on long-term debt.

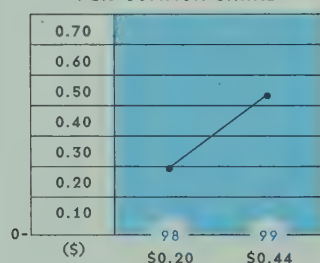
LIQUIDITY AND CAPITAL RESOURCES

Cash generated from operations after changes in non-cash working capital components improved by \$6.2 million to negative \$0.4 million from negative \$6.6 million in fiscal 1998. Working capital as at

EBITDA



NET EARNINGS (LOSS)
PER COMMON SHARE



October 31, 1999 was \$20.0 million, compared to \$11.7 million at October 31, 1998. The increase in working capital was primarily attributable to revenue growth. Accounts receivable at October 31, 1999 of \$41.5 million compared to \$26.8 million at October 31, 1998 reflect the effects of both an increased sales volume and a higher volume of orders delivered in the final quarter. Customer deposits as at October 31, 1999 were \$11.3 million compared to \$7.3 million at October 31, 1998. Inventories at \$26.2 million at October 31, 1999 were \$8.0 million above inventories of \$18.2 million one year earlier. The year over year increase in inventory reflects the build-up of new product inventory required for higher production volumes scheduled from backlog for fiscal 2000.

With respect to financing activities, the Company made payments on the principal amount of long-term debt totaling \$2.2 million during the year. The Company also reduced its revolving line of credit by \$5.6 million during fiscal 1999. The issuance of common shares in the amount of \$331,000 relates primarily to the exercise of employee stock options.

The principal investing activities during fiscal 1999 were attributable to capital expenditures of \$4.8 million and expenditures on deferred product development of \$528,000 relating to the development of the WESCAM™ 20 product line. Major capital expenditures included the following: Entertainment Division rental equipment at \$1.3 million; production equipment at \$1.6 million; and management information and engineering computerized design systems at \$1.2 million. In July 1999, the Company sold certain non-core business assets realizing cash proceeds of \$9.8 million and an account receivable for \$0.7 million. The Company paid

\$3.7 million of income taxes related to the sale and owes a balance of \$147,000. A total of \$2.8 million was owing by Wescam to the former shareholders of Versatron (renamed Wescam Sonoma) and was included in accounts payable at October 31, 1999. Approximately \$2.2 million related to this obligation was paid in November 1999.

At October 31, 1999 the Company had an operating loan facility of \$15.0 million which was 41% utilized based on a loan balance of \$7.5 million less cash of \$1.4 million. The Company also had a term loan facility of \$8.0 million which was fully utilized. Wescam expects to utilize the operating line in fiscal 2000 to cover planned increases in its working capital needs and to meet planned operating capital expenditure requirements. The Company also foresees growth opportunities, in particular for the recently introduced new product lines, and management is in the process of exploring additional sources of financing to meet the resulting incremental capital requirements.

RISKS AND UNCERTAINTIES

The principal risks and uncertainties that may affect operations of the Company are as follows:

Revenue

Due to seasonality, customer procurement budgets, decision processes and competitive activity, Wescam has experienced period to period fluctuations in revenue and expects that for certain market segments these trends will continue. These fluctuations may have an adverse effect on net earnings as the Company's operating expenses tend to be fixed in nature.

The Company has focused marketing efforts on program sales where established incumbent

relationships can give rise to additional orders under option, thereby resulting in more even annual revenue flows. In fiscal 1999, Wescam secured new program related contracts amounting to \$37.5 million, deliverable over two years. Program related contracts secured prior to fiscal 1999 generated an order value of \$21.8 million as a result of the exercise of options to purchase additional equipment. These orders are deliverable over two years.

Contracts

A substantial portion of the Company's revenue in the public safety and surveillance market sector is expected to be derived from long-term contracts. Since these are subject to competitive bidding there is no assurance that Wescam will be successful in obtaining future contract awards. In order to increase the success rate for contract awards, the Company has expanded marketing efforts and developed product lines based on highly advanced technology.

Product Development and Manufacturing

The Company's growth and future results are dependent on successful and timely completion of development projects as well as the transition of new products into production. Wescam develops technology on an ongoing basis, which is a process that, by its nature, is uncertain. This risk is managed by applying high level engineering skills, advanced computerized design tools and a management focus on priorities to ensure that design completions occur on a timely basis. Additionally, where technological developments are especially challenging, Wescam seeks to establish partnering arrangements with its customers and suppliers.

Employee Retention

Wescam relies on the contribution of a number of key personnel in technical areas of research and development, manufacturing and customer services. The loss of one or more key technical employees or the simultaneous loss of numerous technical employees could have an adverse effect on the Company's potential for revenue growth. To manage this risk, Wescam utilizes ISO 9001 practices for engineering and manufacturing, follows various cross training procedures and provides employees with the opportunity of ownership in the Company through stock option and stock purchase plans.

Suppliers

The Company also relies on the supply of components and parts from third party vendors for integration into its products. The risk associated with this practice lies in a supplier failing to meet its delivery obligations and the inability of Wescam to source alternate component parts from another supplier in time to prevent a production delay. This risk is managed by maintaining multiple sources for many components and maintaining closely managed relationships with the current suppliers.

Foreign Exchange

A significant portion of the Company's sales, as well as a lesser portion of cost of sales and operating expenses, is denominated in U.S. dollars. The Company therefore generates a surplus of U.S. dollars in excess of its operating requirements. In view of the fact that the Company reports its consolidated financial statements in Canadian dollars, a change in the relationship between the Canadian and U.S. dollar will impact operating results. Results will

be adversely affected if the Canadian dollar strengthens against the U.S. dollar and positively affected if the Canadian dollar weakens.

The Company currently manages its foreign exchange rate exposure with respect to its financial assets by attempting to closely match its U.S. net financial asset position to its U.S. dollar loan position included in the revolving term debt. At October 31, 1999 the net U.S. dollar exposure with respect to the Company's U.S. net financial asset position was nominal.

The Company anticipates increasing its Canadian dollar loan position as a result of being long U.S. dollars and short Canadian dollars with respect to its fiscal 2000 operations and cash flow requirements and intends to enter into currency purchases or other derivative instruments during fiscal 2000 to reverse the Canadian dollar loan positioning. At the current time, Wescam has entered into several U.S. dollar and other foreign currency forward exchange contracts for multi-unit, multi-year contracts with the U.S. military and other foreign government agencies. Except for these contracts, Wescam has no other formal financial instrument programs in place and it does not anticipate entering into any such programs in a material manner until such time as its U.S. dollar loan is fully repaid.

Year 2000

The Year 2000 presents a worldwide risk whereby date dependent systems that use two digits to represent the year may cause an error related to the turn of the century. Wescam relies on date dependent systems in its management information systems, engineering design and test tools and in certain components within its products.

The Company also interacts with third parties that may have exposure to Year 2000 issues.

Wescam completed a Year 2000 program in the fall of 1999 at a total cost of \$135,000. The program costs consisted primarily of internal staff time and some systems conversion costs. The costs have been treated as a period expense.

Based on program activities to date and experience of operating since the turn of the millennium, the Company has not experienced any disruption in its operations related to Year 2000 issues. However, the Company cannot be certain that there are no Year 2000 issues that have not as yet arisen but which may arise as time progresses. Also there is no assurance that some of Wescam's suppliers or customers are clear of all Year 2000 issues and will not experience any problems in the future.

Certain information provided by the Company in this discussion and analysis that does not constitute historical facts might be forward-looking statements. This information is subject to significant risks, uncertainties and assumptions that are difficult to predict. Actual results might differ materially from results suggested in any forward-looking statements. Some of the factors that could cause results to differ from current expectations are discussed in this discussion and analysis. The Company assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those reflected in the forward-looking statements.

Auditor's Report

Management's Statement of Responsibility

To the Shareholders of Wescam Inc.

The consolidated financial statements and other financial information included in this annual report have been prepared by management. It is management's responsibility to ensure that sound judgment, appropriate accounting principles and methods and reasonable estimates have been used in the preparation of this information. They also ensure that all information presented is consistent.

Management is also responsible for developing internal controls over the financial reporting process. The system of internal controls includes established business conduct policies. Management believes the system of internal controls, review procedures and established policies provide reasonable assurance as to the reliability and relevance of financial reports. Management also believes that Wescam's operations are conducted in conformity with the law and with a high standard of business conduct.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board carries out this responsibility through its Audit Committee. This Committee, which consists of a majority

of outside directors, reviews the financial statements and recommends them to the Board for approval. The Committee meets with management and the external auditors to discuss internal controls, auditing matters and financial reporting issues. The Company's external auditors have full and unrestricted access to the Audit Committee. The Committee also recommends a firm of external auditors to be appointed by the shareholders.

Flamborough, Canada, December 15, 1999



MARK J. CHAMBERLAIN

President & Chief Executive Officer



W. RICHARD ZIEMSKI, CA

Vice President, Finance & Chief Financial Officer

Auditors' Report

To the Shareholders of Wescam Inc.

We have audited the consolidated balance sheets of Wescam Inc. as at October 31, 1999 and 1998 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial state-

ments are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 1999 and 1998 and the results of its operations and cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Hamilton, Canada
December 15, 1999

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FURTHER

Consolidated Balance Sheets

AS AT OCTOBER 31

[in thousands of dollars]

ASSETS 1999 1998

Current Assets

Cash	\$ 1,351	\$ 3,814
Accounts receivable	41,461	26,780
Inventories (note 3)	26,216	18,206
Income taxes receivable	1,504	-
Prepaid expenses	1,393	1,368
	71,925	50,168

Capital Assets, net (note 4)

17,807 17,607

Other Assets

Deferred income taxes	1,512	2,153
Deferred product development costs, net	5,248	5,628
Goodwill	12,404	15,406
Other	169	164
	19,333	23,351
	\$ 109,065	\$ 91,126

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Bank indebtedness (note 5)	\$ 7,461	\$ 13,096
Accounts payable and accrued liabilities	31,151	15,718
Customer deposits	11,343	7,268
Income taxes payable	-	400
Current portion of long-term debt	2,000	2,005
	51,955	38,487

Long-term Debt (note 6)

7,709 10,220

Shareholders' Equity

Share capital (note 7)	39,895	39,564
Convertible debenture (note 8)	3,567	3,268
Retained earnings (deficit)	5,939	(413)
	49,401	42,419
	\$ 109,065	\$ 91,126

Commitments (note 9)

The accompanying notes are an integral part of these consolidated financial statements

On behalf of the Board:


HOWARD L. BECK
Director

MICHAEL M. BOYD
Director

Consolidated Statements of Earnings

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Year Ended October 31

[in thousands of dollars, except per share amounts]

	1999	1998
Revenue	\$ 123,323	\$ 79,904
Cost of sales	79,797	48,945
Gross profit	43,526	30,959
Expenses		
Research and development (note 10)	9,814	6,384
Administrative	10,927	7,855
Selling	6,836	6,426
Depreciation	4,482	3,977
	32,059	24,642
Operating income	11,467	6,317
Other income (expense)		
Gain on sale of assets (note 2)	3,690	-
Interest and finance charges (note 6)	(1,439)	(1,549)
Earnings before income taxes and goodwill charges	13,718	4,768
Income taxes (note 12)	5,293	620
Earnings before goodwill charges	8,425	4,148
Goodwill charges net of tax (note 14)	1,742	1,283
Net earnings	6,683	2,865
Interest on equity component of convertible debenture (note 8)	331	40
Net earnings applicable to common shares	6,352	2,825
Per common share (note 15):		
Earnings before goodwill charges - basic	\$ 0.56	\$ 0.28
- fully diluted	\$ 0.51	N/A
Net earnings - basic	\$ 0.44	\$ 0.20
- fully diluted	\$ 0.41	N/A

Consolidated Statements of Retained Earnings

Year Ended October 31

[in thousands of dollars]

	1999	1998
Retained earnings (deficit), beginning of year	\$ (413)	\$ (3,238)
Net earnings for the year	6,352	2,825
Retained earnings (deficit), end of year	\$ 5,939	\$ (413)

The accompanying notes are an integral part of these consolidated financial statements

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Consolidated Statements of Cash Flows

YEAR ENDED OCTOBER 31

[in thousands of dollars]

1999

1998

Cash provided by (used in):

Operations

Net earnings	\$ 6,683	\$ 2,865
Items not involving cash		
Depreciation	4,482	3,977
Goodwill charges	1,931	1,472
Amortization of deferred product development costs	909	361
Foreign exchange (gain) loss	144	(288)
Deferred income taxes	641	(141)
Gain on sale of assets	(3,690)	-
Gain on sale of equipment	(183)	-

Changes in non-cash operating working capital

(11,364)

(14,863)

(447)

(6,617)

Financing

Proceeds from (repayment of) revolving line of credit	(5,635)	4,043
Customer deposits	4,075	4,024
Interest on equity component of convertible debenture	(331)	(40)
Proceeds from long-term debt	-	1,299
Principal payments on long-term debt	(2,217)	(185)
Issuance of common shares, net	331	99
Issuance of convertible debenture, net of issue costs	-	4,846
	(3,777)	14,086

Investments

Acquisition of subsidiaries	-	(169)
Investments in other assets	(5)	(33)
Expenditures on capital assets	(4,777)	(4,466)
Proceeds from sale of assets (note 2)	9,775	-
Payments related to sale of assets (note 2)	(2,753)	-
Proceeds from sale of equipment	193	256
Expenditures on deferred product development	(528)	(1,800)
	1,905	(6,212)

Foreign exchange gain (loss) on cash held in foreign currency

(144)

288

Increase (decrease) in cash

(2,463)

1,545

Cash, beginning of year

3,814

2,269

Cash, end of year

\$ 1,351

\$ 3,814

The accompanying notes are an integral part of these consolidated financial statements

Year Ended October 31 [in thousands of dollars]

1. Significant Accounting Policies

a) Basis of Presentation:

The consolidated financial statements include the accounts of the Company and its subsidiary companies. All significant intercompany accounts and transactions have been eliminated.

b) Revenue Recognition:

Revenue is recorded and related costs transferred to cost of sales at the time the product is shipped or the service is provided. Revenue and costs related to long-term contracts are accounted for on a percentage of completion basis. Under this method, revenue is recognized over time based on the accomplishment of contractual milestones. Costs incurred in regard to future milestones are deferred as work in process inventory to be recognized based on completion at the next measurement date.

c) Inventories:

Inventories are stated at the lower of cost and net realizable value.

d) Capital Assets:

Capital assets are stated at cost. Depreciation is provided on a straight-line basis using the following annual rates:

Asset	Rate
Building	2.5%
Rental equipment	10%
Production equipment	14% to 33%
Information systems	25%
Furniture and fixtures	20%

e) Research and Development Costs:

The Company expenses all research costs. Product development costs related to specific products, that in the Company's view have a clearly defined future market, are deferred and amortized on a straight-line basis over the estimated commercial life of the products, not exceeding five years.

f) Measurement Uncertainty:

Accounts receivable are stated after evaluation of collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. The amounts recorded for depreciation and amortization of capital assets and goodwill are based on estimates. Estimates by their nature are subject to measurement uncertainty. The effect on the financial statements of changes in such estimates in future periods could be significant.

g) Goodwill:

Goodwill, which is recorded at cost less accumulated amortization, is being amortized on a straight-line basis for periods of 10 to 15 years. On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration any events and circumstances which might have impaired the fair value. Goodwill is written down to fair value when declines in value are considered to be other than temporary, based upon expected undiscounted cash flows of the related identifiable business components.

h) Foreign Currency Translation:

The operations of the Company's foreign subsidiaries are considered to be integrated with those of the Company. Monetary items are translated into Canadian dollars at the exchange rate in effect at the balance sheet date, non-monetary items are translated at historical exchange rates and results of operations are translated at the average exchange rate for the year. Exchange gains and losses on the translation of integrated foreign subsidiaries are included in net earnings for the year. Gains and losses on translation of non-current monetary items are deferred and amortized over the remaining life of the monetary item.

i) Government Assistance:

Government assistance and investment tax credits relating to capital assets are reflected as a reduction of the cost of such assets. Government assistance and investment tax credits relating to expenditures of an operating nature are recorded as a reduction of expense when the related expenditures are incurred.

2. Sale of Assets:

In July 1999, the Company sold the assets and supporting technology related to the non-core actuator and motion control systems for \$10,511. Further proceeds of \$1,465 and \$735 are contingent upon the purchaser being awarded two specific future contracts prior to July 1, 2000 and July 1, 2001, respectively. In accordance with a 1995 agreement, whereby Wescam purchased Versatron Corporation, Wescam was obligated to pay to the former shareholders of Versatron 50% of the after tax net proceeds of the sale.

Details of the gain on the sale of assets is summarized:

Cash proceeds	\$ 9,775
Receivable from purchaser	736
Total proceeds from sale	10,511
Net assets sold and transaction costs	993
Book value of goodwill sold	1,071
Net proceeds due to former shareholders of Versatron	2,823
Income taxes payable on distribution to former shareholders of Versatron	1,934
Gain on sale before income taxes	\$ 3,690

Details of the cash distributions on the sale of assets is summarized:

Taxes paid on behalf of former shareholders of Versatron	\$ 1,844
Working capital assumed by purchaser and transaction costs	909
Total payments related to sale of assets	\$ 2,753

3. Inventories:

	1999	1998
Raw materials and work in process	\$ 22,519	\$ 13,960
Finished goods	255	2,237
Demonstration equipment	3,442	2,009
	\$ 26,216	\$ 18,206

4. Capital Assets:

	1999		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 527	\$ -	\$ 527
Building	4,117	392	3,725
Rental equipment	13,948	7,367	6,581
Production equipment	6,267	2,943	3,324
Information systems	6,406	4,294	2,112
Furniture and fixtures	2,992	1,454	1,538
	\$ 34,257	\$ 16,450	\$ 17,807

1998

	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 439	\$ -	\$ 439
Building	4,109	289	3,820
Rental equipment	12,691	5,578	7,113
Production equipment	5,610	2,418	3,192
Information systems	5,227	3,306	1,921
Furniture and fixtures	2,827	1,705	1,122
	\$ 30,903	\$ 13,296	\$ 17,607

5. Bank Indebtedness:

The Company has bank operating and revolving term lines in place in the amount of \$15,000 and \$8,000, respectively. These facilities are secured by a general security agreement covering all of the Company's Canadian assets other than real estate. The U.S. subsidiaries have provided the bank with unlimited guarantees and postponement of claims related to these facilities. Use of the revolving term facility is restricted to capital expenditures for the Canadian operations and business acquisitions.

6. Long-term Debt:

	1999	1998
Mortgage payable in equal monthly installments with interest at 10.1%, beginning February, 2005	\$ 400	\$ 400
Revolving term loan with interest at prime plus 1/2% to August, 1998, prime plus 1.0% thereafter; repayable in quarterly installments of \$500 commencing November, 1998; due August, 2001.	8,030	10,247
Debt component of convertible secured debentures, bearing interest at 9% (note 8)	1,279	1,578
	9,709	12,225
Less current portion	2,000	2,005
	\$ 7,709	\$ 10,220
Interest expense:		
Interest on long-term debt	\$ 804	\$ 822
Other interest and finance charges	635	727
	\$ 1,439	\$ 1,549

The aggregate maturities of long-term debt in the two year period subsequent to October 31, 1999 are as follows: 2000 - \$2,000; 2001 - \$6,030. The revolving term loan is composed of a US\$ loan position of \$3,000 in each of 1999 and 1998 and the balance in Canadian currency. The US\$ loan position is renewable monthly.

7. Share Capital:

(a) Authorized and Issued:

The authorized share capital of the Company consists of an unlimited number of common shares.

Share capital changes during 1998 and 1999 were as follows:

	Common Shares	\$
Balance outstanding as at October 31, 1997	14,442,958	\$ 39,465
Shares issued to directors as compensation	24,644	99
Balance outstanding as at October 31, 1998	14,467,602	\$ 39,564
Shares issued to employees and directors for stock options exercised during the year	190,901	282
Shares issued to directors as compensation	13,732	49
Balance outstanding as at October 31, 1999	14,672,235	\$ 39,895

(b) Stock Options:

The Company has a stock option plan for key employees, management, members of the Board of Directors and such other key persons as the Board may designate from time to time, subject to regulatory approval. The aggregate number of common shares of the Company authorized for issuance to any one person under the plan shall not exceed 5% of the issued shares of the Company.

At October 31, 1999 there were 1,418,689 options outstanding with exercise prices ranging from \$3.10 to \$15.92 and with expiry dates from January 19, 2000 to October 31, 2004. The weighted average price of the outstanding options equals \$6.05 per common share.

(c) Warrants:

The Company has 200,000 warrants outstanding in connection with an acquisition. The warrants are exercisable at US\$ 7.50 per warrant for one common share of the Company to August 17, 2000.

8. Convertible Debentures:

	Debt Component	Equity Component
Convertible unsecured subordinated debenture of \$3,000 (net of issue costs of \$124) bearing interest at 9%, convertible at \$3.70 per common share at any time at the option of the holder and maturing on July 13, 2003. After July 13, 2000 the Company will have the ability to require the holder to convert the debenture should the common shares trade at a price of \$4.90 or higher for twenty consecutive trading days.		
Balance, October 31, 1997	\$ -	\$ -
Debt issuance during 1998	947	1,961
Balance, October 31, 1998	947	1,961
Reduction of debt component during 1999	(180)	180
Balance, October 31, 1999	767	2,141
Convertible unsecured subordinated debenture of \$2,000 (net of issue costs of \$28) bearing interest at 9%, convertible at \$4.20 per common share at any time at the option of the holder and maturing on August 20, 2003. After August 20, 2000 the Company will have the ability to require the holder to convert the debenture should the common shares trade at a price of \$5.20 or higher for twenty consecutive trading days.		
Balance, October 31, 1997	-	-
Debt issuance during 1998	631	1,307
Balance, October 31, 1998	631	1,307
Reduction of debt component during 1999	(119)	119
Balance, October 31, 1999	512	1,426
Total convertible debentures	\$ 1,279	\$ 3,567

Since the provisions of the debentures permit the Company to repay the holders with common shares, the debentures are presented with shareholders' equity net of the debt component and net of issue costs.

The Company has calculated the debt component as the present value of the required interest payments discounted at a rate approximating the interest rate that would have been applicable to non-convertible debt at the time the debentures were issued.

9. Commitments:

The Company is committed to payments under non-cancellable operating leases for buildings, equipment and vehicles through 2004 in the amount of \$6,769. Annual payments are: 2000 - \$1,668; 2001 - \$1,530; 2002 - \$1,402; 2003 - \$1,229; and 2004 - \$940.

10. Research and Development:

Research and development expenses were incurred as follows:

	1999	1998
Gross expenses	\$ 11,416	\$ 9,583
Customer funding	(1,052)	(1,528)
Deferred product development cost expenditures	(528)	(1,800)
Amortization of deferred product development costs	909	361
Net government assistance	(931)	(232)
Net current expenses	\$ 9,814	\$ 6,384

11. Supplemental Cash Flow Information:

	1999	1998
Cash paid (received) during the year for:		
Interest and other finance charges	\$ 1,439	\$ 1,549
Income taxes, including refundable taxes	\$ 6,893	\$ (620)

12. Income Taxes:

Income tax expense, including both the current and deferred portions, varies from amounts which would be computed by applying the Company's combined statutory income tax rate as follows:

	1999	1998
Basic rate applied to earnings before income taxes and goodwill charges	\$ 6,121	\$ 2,126
Increases (decreases) in income taxes resulting from:		
Tax benefit of utilization of Company loss carry-forwards	(268)	(1,020)
Foreign income taxed at different rate	(475)	(762)
Minimum taxes	(172)	526
Non-deductible goodwill re. actuator sale	375	-
Research and development superallowance	(103)	-
Manufacturing and processing deduction	(158)	-
Other	(27)	(250)
	\$ 5,293	\$ 620
Provision for Income Taxes:		
Current	\$ 4,060	\$ (55)
Deferred	1,233	675
	\$ 5,293	\$ 620

Unrecorded investment tax credits in the amount of approximately \$936 are available to reduce future taxes payable.

13. Segmented Information:

Wescam has two reportable business segments:

- Public Safety and Surveillance Division
- Entertainment Division

Public Safety and Surveillance Division

The Public Safety and Surveillance Division designs and sells visual information systems which include stabilized aerial camera systems integrated with wireless communication networks for commercial and government/military markets globally.

Entertainment Division

The Entertainment Division provides turnkey film and video services to the film, entertainment and sports broadcasting markets globally.

Year ended October 31, 1999	Public Safety & Surveillance	Entertainment	Inter-Divisional	Consolidated
Revenue	\$ 98,323	25,879	(879)	\$ 123,323
Depreciation	2,116	2,366	-	4,482
Segment operating income	8,807	3,080	(420)	11,467
Gain on sale of assets	(3,690)	-	-	(3,690)
Interest and finance charges	-	-	-	1,439
Income taxes	-	-	-	5,293
Goodwill charges net of tax	427	1,315	-	1,742
Net earnings	-	-	-	\$ 6,683
EBITDA excluding gain on sale of assets	10,923	5,446	(420)	15,949
EBITDA including gain on sale of assets	14,613	5,446	(420)	19,639
Total assets	83,407	25,658	-	109,065
Capital expenditures	2,838	1,939	-	4,777

Year ended October 31, 1998	Public Safety & Surveillance	Entertainment	Inter-Divisional	Consolidated
Revenue	\$ 55,492	25,174	(762)	\$ 79,904
Depreciation and amortization	1,806	2,171	-	3,977
Segment operating income	698	5,619	-	6,317
Interest and finance charges	-	-	-	1,549
Income taxes	-	-	-	620
Goodwill charges net of tax	451	832	-	1,283
Net earnings	-	-	-	\$ 2,865
EBITDA	2,504	7,790	-	10,294
Total assets	69,618	21,508	-	91,126
Capital expenditures	2,188	2,278	-	4,466

Corporate administrative activities approximating \$3,925 in 1999 (\$2,516 in 1998) have been allocated to each of the Divisions on a pro-rata revenue basis and are included in Operating Income and EBITDA amounts.

Geographic Information:

The Company sells products and provides services to a global marketplace with the majority of sales and all of the business assets in North America. The Company is domiciled in Canada.

	1999	1998
Revenue by Geographic Area:		
Canada	\$ 3,678	\$ 486
United States	99,542	64,068
Europe and Other	20,103	15,350
	\$ 123,323	\$ 79,904
Net Capital Assets by Geographic Area:		
Canada	\$ 7,774	\$ 8,553
United States	10,033	9,054
	\$ 17,807	\$ 17,607
Goodwill by Geographic Area:		
Canada	\$ 146	\$ 196
United States	12,258	15,210
	\$ 12,404	\$ 15,406

Major Customers:

In 1999, the Company's Public Safety and Surveillance Division had one customer which represented approximately 12% of the Company's total revenue.

14. Goodwill Charges Net of Tax:

	1999	1998
Goodwill charges	\$ 1,931	\$ 1,472
Tax effect	(189)	(189)
Goodwill charges net of tax	\$ 1,742	\$ 1,283

15. Earnings Per Share:

Basic earnings per share before goodwill charges and basic net earnings per share data have been calculated using the weighted average number of common shares outstanding during the year of 14,562,567 (1998 - 14,463,629). Fully diluted earnings per share before goodwill charges and fully diluted net earnings per share data have been calculated assuming that all stock options, warrants and convertible debentures outstanding at the end of the year had been exercised or converted at the beginning of the year or at the issuance date or conversion date if later. The weighted average number of fully diluted common shares outstanding is 16,509,747. For fiscal year 1998, the dilution of earnings per share was anti-dilutive and therefore fully diluted earnings per share data is not disclosed for 1998. Imputed earnings on the proceeds from the exercise of outstanding options and warrants are calculated using a 7.5% pre-tax rate of return (1998 - 7.5 %).

16. Fair Value of Financial Instruments:

With the exception of the items listed below, the estimated fair value of all financial instruments approximate carrying values:

	1999		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities:				
Long-term debt				
Revolving term loan	\$ 8,030	\$ 8,030	\$ 10,247	\$ 10,247
Other	\$ 400	\$ 452	\$ 405	\$ 462

The fair value of long-term debt is determined by discounting the future contractual cash flows under current financing arrangements at discount rates which represent borrowing rates currently available to the Company for loans with similar terms and maturities.

At October 31, 1999, the Company had outstanding forward exchange contracts with an aggregate notional value of \$55,340 to hedge its foreign currency cash flows into Canadian dollars. These forward exchange contracts have maturity dates coinciding with specific product delivery dates through to September 2004. The fair value of these forward exchange contracts at October 31, 1999 approximates their quoted market price.

17. Uncertainty due to the Year 2000 Issue:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

18. Comparative Figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Five Year Financial Summary

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[in thousands of dollars, except per share amounts]

	1999	1998	1997	1996	1995
Income Statement Data:					
Revenue	\$ 123,323	\$ 79,904	\$ 57,645	\$ 64,811	\$ 32,480
Cost of sales	79,797	48,945	36,186	36,020	18,017
Gross profit	43,526	30,959	21,459	28,791	14,463
Expenses					
Research and development	9,814	6,384	5,981	4,022	2,244
Administrative	10,927	7,855	8,695	9,145	5,050
Selling	6,836	6,426	7,093	6,096	2,245
Depreciation	4,482	3,977	3,469	2,461	920
Restructuring charge and inventory write-down	-	-	5,167	-	-
	32,059	24,642	30,405	21,724	10,459
Operating income (loss)	11,467	6,317	(8,946)	7,067	4,004
Other income (expense)					
Gain on sale of assets	3,690	-	-	-	-
Interest and finance charges	(1,439)	(1,549)	(849)	(40)	(592)
Litigation and costs of terminated investments	-	-	356	(491)	-
	2,251	(1,549)	(493)	(531)	(592)
Earnings (loss) before income taxes and goodwill charges	13,718	4,768	(9,439)	6,536	3,412
Income taxes	5,293	620	(1,017)	1,695	1,345
Earnings (loss) before goodwill charges	8,425	4,148	(8,422)	4,841	2,067
Goodwill charges	1,742	1,283	1,242	861	97
Net earnings (loss)	6,683	2,865	(9,664)	3,980	1,970
Interest on equity component of convertible debenture	331	40	-	-	-
Net earnings (loss) applicable to common shares before minority interest	6,352	2,825	(9,664)	3,980	1,970
Minority interest	-	-	-	27	(243)
Net earnings (loss) applicable to common shares	\$ 6,352	\$ 2,825	\$ (9,664)	\$ 4,007	\$ 1,727
Per common share:					
Earnings (loss) before goodwill charges - basic	\$ 0.56	\$ 0.28	\$ (0.65)	\$ 0.39	\$ 0.31
- fully diluted	\$ 0.51	N/A	N/A	N/A	N/A
Net earnings (loss) - basic	\$ 0.44	\$ 0.20	\$ (0.75)	\$ 0.33	\$ 0.26
- fully diluted	\$ 0.41	N/A	N/A	N/A	N/A
Weighted average number of common shares outstanding	14,562,567	14,463,629	12,908,748	12,279,749	6,753,777
Fully diluted number of common shares outstanding	16,509,747	N/A	N/A	N/A	N/A

Balance Sheet Data:

Working capital	19,970	11,681	5,158	16,613	19,292
Total assets	109,065	91,126	67,298	75,850	42,370
Short-term debt (including current portion of long-term debt)	9,461	15,101	8,334	9,553	141
Long-term debt	7,709	10,220	9,346	5,758	714
Shareholders' equity	49,401	42,419	36,227	46,778	31,529

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Transfer Agent

Montreal Trust Company of Canada

151 Front Street West

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The Toronto Stock Exchange Listing

Initial Listing: October 26, 1995

Stock Symbol: WSC

CUSIP No: 950905 10 9

Investor Relations

To obtain corporate information regarding the Company,
please contact the Corporate Office, attention Investor Relations

E-mail address: invrel@wescam.com

Market Price of Common Shares

The following table sets forth the high, low and closing sales prices for the
common shares for each quarter of the last two fiscal years.

	1999			1998		
	High	Low	Close	High	Low	Close
1st Quarter	5.85	4.00	4.55	4.50	2.90	3.10
2nd Quarter	5.30	3.05	4.70	3.75	2.80	3.10
3rd Quarter	5.05	3.80	4.90	4.25	2.80	3.90
4th Quarter	5.40	4.50	4.75	4.20	3.00	4.20

Howard L. Beck, Q.C. - Chairman

Howard L. Beck, Q.C., practiced corporate and securities law for over 25 years as a senior partner of the Toronto law firm of Davies, Ward & Beck until 1989. Mr. Beck serves as director of a number of corporations including Barrick Gold Corporation, Citibank Canada, TrizecHahn Corporation, Namibian Minerals Corporation and Premdor Inc. Mr. Beck became Chairman of Wescam Inc. on October 31, 1997.

Mark J. Chamberlain - President and Chief Executive Officer

Mark J. Chamberlain joined Wescam Inc. in 1985. In 1987, Mr. Chamberlain led the management buyout team which purchased Wescam Inc. Mr. Chamberlain became President and Chief Executive Officer at that time. Prior to 1985, Mr. Chamberlain held engineering and marketing positions for a number of high technology companies including IBM Canada Ltd. Mr. Chamberlain holds Bachelor and Master of Applied Science degrees in Mechanical Engineering from the University of Waterloo.

Ron D. Barbaro

Ron D. Barbaro is Chair and Chief Executive Officer of the Ontario Casino Corporation and the Ontario Lottery Corporation. In 1993, he retired as President, Worldwide Operations of The Prudential Insurance Company of America, a multi-line insurance company. Mr. Barbaro

currently serves as director of Prudential of America Life Insurance Company (Canada), The Thomson Corporation, VoxCom Inc., ChoicePoint Inc. and Flow International.

Michael M. Boyd

Michael M. Boyd is a Vice President with HSBC Capital Canada Inc., the merchant banking arm of HSBC Bank Canada. Mr. Boyd has been an executive in the investment industry for over twenty-three years. He has extensive experience in merchant banking, venture capital and corporate finance. Mr. Boyd received his MBA from the Ivey School of Business at the University of Western Ontario and is a director of a number of public and private companies.

J. Roderick Coutts

J. Roderick Coutts is Chairman of the Board of Teklogix International Inc. Mr. Coutts co-founded Teklogix International Inc. in 1967 and steered sales and finance for a number of years before being appointed President in 1977. After directing the start-up of Teklogix's European Operations from Düsseldorf, Germany for two years, Mr. Coutts returned to Canada in 1995 and held the title of Chairman, President and Chief Executive Officer until December 1998. Mr. Coutts graduated from the University of Waterloo in 1964 with a B.A.Sc. in Electronics Engineering.

Robert T.E. Gillespie

Robert T.E. Gillespie is Chairman and Chief Executive Officer of General Electric Canada Inc. During his career with General Electric, he has held Vice-President and Executive Vice-President positions in executive, general management, and divisional operations in GE's diversified businesses. Mr. Gillespie, P. Eng., obtained his electrical engineering education at Heriott-Watt University in Edinburgh, Scotland and is a graduate of Harvard Business School.

George W. Jeffs

George W. Jeffs retired from Rockwell International Corporation where he was President of the company's Aerospace and Energy divisions and a Corporate Vice President. He was also the President of the Corporate Strategic Defense Center which he helped establish. Since then he has served as a senior consultant for a number of U.S. companies and government agencies. Mr. Jeffs received Bachelor and Master of Science degrees in Aeronautical Engineering from the University of Washington in Seattle and is a member of the U.S. National Academy of Engineering.

Directors and Senior Officers

DIRECTORS

HOWARD L. BECK, Q.C. (1)

Chairman of the Board

WESCAM INC.

MARK J. CHAMBERLAIN (2)

President and Chief Executive Officer

WESCAM INC.

RON D. BARBARO (1) (3)

Chair and Chief Executive Officer

ONTARIO CASINO CORPORATION

ONTARIO LOTTERY CORPORATION

MICHAEL M. BOYD (1)

Vice President

HSBC CAPITAL CANADA INC.

J. RODERICK COUTTS (2) (3)

Chairman

TEKLOGIX INTERNATIONAL INC.

ROBERT T.E. GILLESPIE (2)

Chairman and Chief Executive Officer

GENERAL ELECTRIC CANADA INC.

GEORGE W. JEFFS (2)

Retired President – Aerospace Operations

ROCKWELL INTERNATIONAL CORPORATION

(1) Audit Committee

(2) Management Resources and
Compensation Committee

(3) Corporate Governance Committee

OFFICERS

HOWARD L. BECK, Q.C.

Chairman of the Board

MARK J. CHAMBERLAIN

President and Chief Executive Officer

W. RICHARD ZIEMSKI

Vice President, Finance and

Chief Financial Officer

BRUCE R. LATIMER

Vice President, Corporate Development

General Counsel and Corporate Secretary

ROMAN M. TURCHYN

Vice President, Human Resources

JOHN ALSOP

Vice President, Operations

Public Safety & Surveillance Division

STEVE TRITCHEW

Chief Technology Officer

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Auditors

KPMG LLP
Suite 700
21 King Street West
Hamilton, Ontario L8N 3R1

ANNUAL MEETING OF SHAREHOLDERS

Shareholders are invited to attend the Annual Meeting to be held on April 18, 2000 at 4:30 pm at the TSE Conference Centre & Stock Market Place, The Exchange Tower, 130 King Street West, Toronto, Ontario, Canada

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